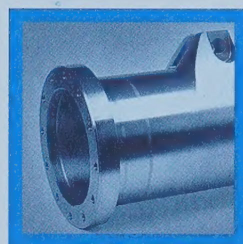

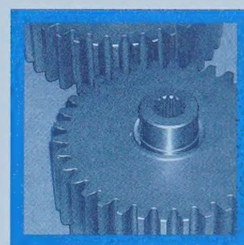

Building in Quality

GENERAL DONLEE INCOME FUND

ANNUAL REPORT | 2002

COMPANY PROFILE

GENERAL DONLEE INCOME FUND, THROUGH ITS WHOLLY-OWNED SUBSIDIARY GENERAL DONLEE LIMITED, IS A LEADING DIVERSIFIED MANUFACTURER OF PRECISION-MACHINED PRODUCTS FOR THE MILITARY, COMMERCIAL AND GENERAL AEROSPACE INDUSTRIES AND IS ALSO A SPECIALIST IN THE MANUFACTURE OF PRECISION-MACHINED PRODUCTS FOR THE INDUSTRIAL PRODUCTS AND POWER GENERATION INDUSTRIES.

WHILE ITS ORIGINS GO BACK 40 YEARS, GENERAL DONLEE HAS EXPANDED THE SCOPE OF ITS OPERATIONS WITH A BALANCED BUSINESS MIX OF CUSTOMERS, PRODUCTS AND INDUSTRIES. THE COMPANY NOW SUPPLIES OVER 100 TOP RANKED CUSTOMERS IN CANADA, THE U.S.A. AND EUROPE WITH A BROAD RANGE OF PRECISION CYLINDRICAL SHAFTS AND COMPLEX GEARING PRODUCTS FROM ITS TWO ADJACENT MANUFACTURING FACILITIES IN TORONTO. THE OBJECTIVE OF ITS SUCCESSFUL STRATEGY IS TO INCREASE BUSINESS VOLUME BY CAPITALIZING ON ITS COMPETITIVE STRENGTHS AND ITS LEADING MARKET POSITION TO MAXIMIZE ITS LONG-TERM PROFITABLE GROWTH. GENERAL DONLEE SEEKS TO BUILD NUMEROUS LONG-TERM RELATIONSHIPS WITH ITS CUSTOMERS BY RELIABLY DELIVERING QUALITY PRODUCTS THAT SERVE ITS CUSTOMERS' NEEDS.

GENERAL DONLEE INCOME FUND IS A TRUST ESTABLISHED UNDER THE LAWS OF THE PROVINCE OF ONTARIO WHICH HOLDS THE SECURITIES OF GENERAL DONLEE LIMITED. THE FUND'S UNITS ARE LISTED ON THE TORONTO STOCK EXCHANGE (**GDI.UN**) AND THE FUND SEEKS TO PROVIDE UNITHOLDERS WITH MONTHLY CASH DISTRIBUTIONS.

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FINANCIAL HIGHLIGHTS

For the period May 3 to December 31, 2002
($ thousands, except per Trust Unit amount)

OPERATING RESULTS		
Sales	$	26,731
Gross profit		9,907
% of sales		37.1%
EBITDA (Note 1, page 13)		8,833
Net earnings		4,127
Cash available for distribution (Note 3, page 13)		8,269
FINANCIAL POSITION		
Working capital		11,085
Total debt		10,000
Unitholders' equity		79,617
PER TRUST UNIT INFORMATION		
Net earnings	$	0.461
Cash available for distribution (Note 3, page 13)		0.924
Cash distributions		0.842

It is a pleasure to report on the first annual period of the General Donlee Income Fund. This report covers the period from the inception of the Fund's operations on May 3, 2002 until December 31, 2002.

OVERVIEW

Although the General Donlee Income Fund (the "Fund") is relatively young, its subsidiary General Donlee Limited (the "Company" or "General Donlee") has spent nearly 40 years developing enduring business relationships with many prime customers over a very broad spectrum of industries. Our focus on fostering these associations by meeting our customers' demands through the supply of quality precision products forms the foundation of our business.

It is by applying this business model that we seek to generate steady earnings for distribution to our unitholders. We manufacture over 275 different products for sale to over 100 prime customers throughout Canada, the United States and Europe in diverse industries such as military and commercial aerospace, power generation and industrial products.

OPERATIONS

Our solid business relationships were evident during the first eight months of our public life in 2002. Despite underutilization of the industrial products division and some softness in the commercial and general aviation markets, General Donlee was still able to record sales of $26.7 million in the period. To put this in context, sales in 2002 reflected an increase of $0.7 million or 2.5% over the comparable eight-month period in 2001 by the predecessor company.

In the eight months to December 31, 2002, gross profit was $9.9 million, which contributed to an EBITDA(1) of $8.8 million and net earnings of $4.1 million. The balance sheet remains strong and conservatively positioned. These results reflect the diversification of our product and customer bases supported by the solid efforts and expertise of our workforce. Given the challenging conditions in our markets, management was pleased with this achievement in 2002.

DISTRIBUTIONS

Cash available for distribution(3) totaled $8.2 million or $0.924 per unit. For the period May through December, cash distributed amounted to $7.5 million or $0.842 per unit, which matched the annualized target rate of 14.5%, based on our initial public offering price of $10.00 per unit.

Over the next few months, General Donlee expects to draw down all or substantially all of its $1 million cash reserve to fund an anticipated shortfall in cash flow to enable steady distributions and to satisfy bank covenants. Going forward, it is anticipated that the monthly cash distribution will continue to be paid on or about the last business day of the month, for the prior month, with a record date typically three business days earlier.

STRATEGY

General Donlee has adopted a business strategy to capitalize on its competitive strengths to further enhance its leading market position and maintain long-term profitability. To do this General Donlee targets niche markets, endeavouring to expand its product offerings, grow its existing customer base, increase participation in military programs and ensure that its reputation as a supplier of high-quality products is maintained or enhanced.

OUTLOOK

At the end of December 2002, General Donlee's backlog was $49.1 million compared to $52.1 million at December 31, 2001, for the predecessor company. Most of this backlog is accounted for by the aerospace and power generation division's contracts. The industrial products division accounts for only about 6% of the backlog due to the short cycle nature of most of its products and backlog represents only a small portion of this division's total sales. This backlog pattern is normal.

Our industrial products division has been impacted by weak conditions in the capital equipment markets, and in the near term, we expect to continue to face uncertain conditions. On balance, while market conditions are somewhat challenging, the company's balance of products and markets give us confidence to expect that the performance of our aerospace and power generation division will continue in line with the current, though somewhat softer, trend and that the industrial products division will reflect at least some marginal recovery in the near term.

CONCLUSION

On behalf of the trustees and directors I want to thank all of the Company's employees for their dedication and to thank our customers for their ongoing support and confidence during a year of substantial change and very challenging business conditions.

I want to acknowledge the retirement of Barry Fletcher, Chief Operating Officer, early in 2003. Barry has contributed significantly for the past 25 years to the development of General Donlee and his expertise and guidance will be missed. I also want to welcome Peter Adams, who has taken over as General Manager of the industrial products division.

To our unitholders, I want to thank you for the confidence you have shown in General Donlee by investing with us. It is management's goal to generate financial performance that will make you very pleased with your investment. I invite you to read on to find out more about General Donlee.

THOMAS FAUCETTE
President and Chief Executive Officer
General Donlee Limited
April 20, 2003

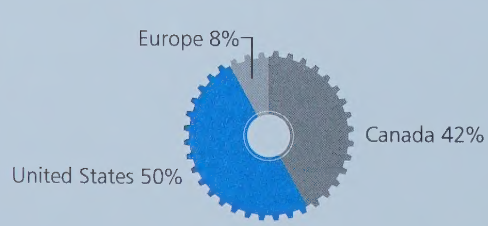
OVERVIEW During its 40-year history, General Donlee Limited has operated with two divisions. In the beginning there was Donlee Nuclear and General Gear. In the 1980s, the customer base was broadened and in 1983 Donlee Nuclear changed its name to Donlee Precision. The division moved into manufacturing various types of axles, pistons, cylinders, aircraft engine shafts and helicopter rotor masts. In the 1990s, efforts focused on expanding the customer base and increasing the number of components supplied to each customer. This successfully resulted in new contracts with leading aerospace and power generation contractors. Donlee Precision operates as the aerospace and power generation division of General Donlee.

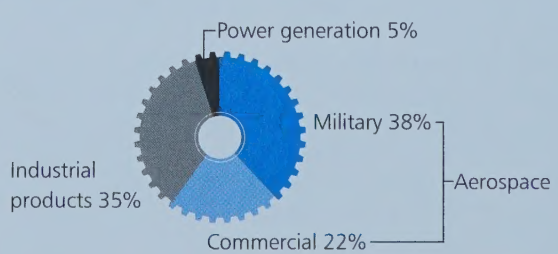
PROVIDING QUALITY PRODUCTS WITH VERY HIGH TOLERANCES ON A RELIABLE BASIS HAS HELPED ESTABLISH THE FOUNDATION OF OUR BUSINESS

General Gear initially produced mainly individual gears for equipment manufacturers. In the 1980s and 1990s, manufacturing capabilities were expanded to include other types of gears, such as ground bevel and helical gears, complete gear boxes and related sophisticated machined components. The customer base was also expanded with the addition of major new accounts. General Gear operates as the industrial products division of the Company.

General Donlee is now a leading diversified manufacturer of precision-machined products for the military, commercial and general aerospace industries and also is a specialist in the manufacture of precision-machined products for the industrial products and power generation industries. The revenue base is further diversified geographically resulting from sales in Canada, the United States and Europe. Management believes General Donlee is the only Canadian company, and one of few North American companies, currently capable of producing such a broad range of precision cylindrical shafts and complex gearing products.

REVENUE ANALYSIS (for the 8 months ended December 31, 2002)





COMPETITIVE STRENGTHS The Company focuses on meeting its customers' needs through the supply of quality precision products. Management believes General Donlee has the following important competitive strengths;

EXTENSIVE MANUFACTURING CAPABILITIES – both manufacturing facilities are equipped with an extensive array of sophisticated machining centers, allowing the Company to perform substantially all of the required machining processes internally;

RELIABILITY AS A SUPPLIER – long-term relationships have been established with many customers and their confidence in General Donlee's capabilities has fostered the continued awarding of long-term contracts to the Company;

STRATEGIC MARKETING – focusing on identifying sophisticated, high value-added products that fit with its manufacturing capabilities has helped minimize the impact of the economic slowdown that has recently affected the aerospace industry;

SKILLED WORKFORCE – has been a key to General Donlee's continued success. Of the total 160 non-union employees, over 70 are highly skilled machinists, with an average of 15 years of experience;

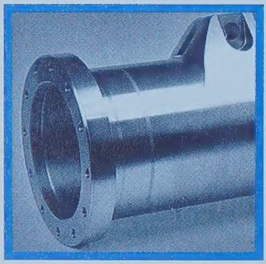
A BROAD BASE OF EQUIPMENT AND SKILLS PROVIDES THE FLEXIBILITY TO MEET OUR CUSTOMERS' VARYING NEEDS

COMPETITIVE COST STRUCTURE – supplying high quality products at competitive prices has been a key to successfully winning new contracts, reflecting in-house expertise, proven manufacturing processes and efficient equipment;

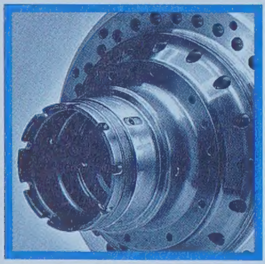
STRONG CUSTOMER BASE – reflects predominantly well-established, large, credit-worthy corporations in diverse industries. Most of the customers have been in business for over 50 years and include many industry leaders; and

PRODUCT DIVERSITY – over 275 products are produced in a variety of customer applications and programs over a wide range of industries to help insulate General Donlee from declines in operating results that have affected any single industry.

AEROSPACE AND POWER GENERATION DIVISION Donlee Precision is a leading diversified manufacturer of precision-machined cylindrical products for the military, commercial and general aviation industries as well as the power generation industry. In the aerospace industry we are recognized as a leading manufacturer of precision aircraft engine components and helicopter shafts. We have acquired considerable expertise and technology for manufacturing shafts with very stringent straightness, concentricity and wall thickness requirements.

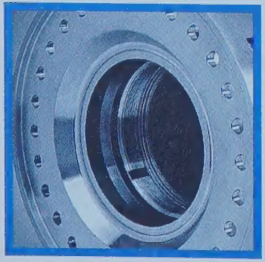


Products range from 1 inch in diameter and 12 inches in length to 20 inches in diameter and 10 feet in length. We machine a variety of specialty materials, including exotic alloys such as titanium, Inconel,™ maraging steel and stainless steel. Sophisticated computer-controlled equipment allows us to manufacture these complex components to our customers' stringent requirements, which helps to maintain our reputation as a reliable, high-quality supplier.



Prime aircraft manufacturers are required to meet stringent quality control audits and other regulatory requirements established by government agencies including the U.S. Federal Aviation Administration, Transport Canada, the U.S. Department of Defense and similar agencies in most other countries. To comply with these standards, prime aircraft manufacturers rely on their supplier base to provide high-quality systems and components. Meeting these requirements is both costly and time-consuming, and acts as a principal barrier to entry to competitors in the aerospace industry.

ESTABLISHED LONG-TERM CUSTOMER RELATIONSHIPS ARE STRATEGICALLY IMPORTANT TO OUR BUSINESS

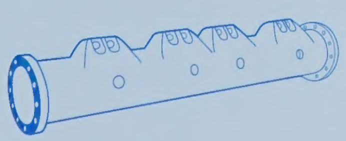


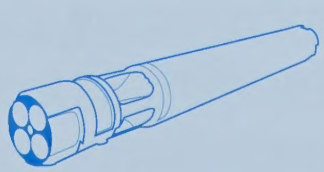
The supplier base supporting the prime aircraft manufacturers generally consists of three tiers. The first tier is the original equipment manufacturers (OEMs) of major components and systems such as engines, wings and landing gear. These OEMs possess specialized skills and technology and manage their own supply chains to provide complete systems.

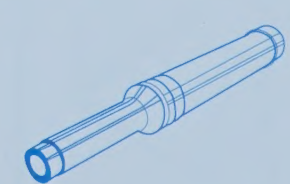
Second-tier suppliers act as subcontractors to the OEMs, and in some cases, to the prime aircraft manufacturers directly. This supplier level requires a high level of competence and they often participate in the development of products. The assemblies and components that they manufacture are integral to the functioning of complete systems and require highly specialized skills and technologies to manufacture. On this basis, General Donlee would be classified as a second-tier supplier. Many OEMs require quality audits of their suppliers' operating procedures and systems. As a result, the suppliers, particularly suppliers of flight-critical components such as General Donlee, are integral to the success of the OEMs.

Within the industry, OEMs often rely on sole sources of supply for their products because production requirements are such that it is generally inefficient to support more than one supplier. Customers in the industry are reluctant to place business with new or unproven suppliers because of the related cost and long lead-times associated with changing sources, which can range from 12 to 20 months. Switching sources is difficult and time-consuming. Potential suppliers need to obtain all the necessary manufacturing and quality approvals from the OEM customer and third-party audit agencies before being considered as a possible supplier.

Contracts in the aerospace industry are awarded through a bidding process and are normally fixed-price, long-term cancellable contracts issued to cover one to five years of component requirements. Manufacturing lead-times, including time to procure the raw materials, generally range







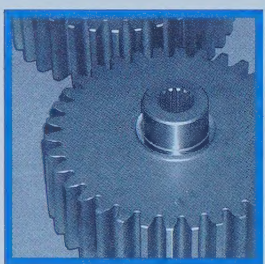
from six to twelve months. In the power generation industry customers include OEMs and utilities. To supplement existing electricity production levels, utilities added gas turbine generators. Similarly, many private sector companies have also purchased gas turbine generators to provide in-house production capabilities should local power interruptions occur.

There are rigorous product assurance and testing requirements involved in the manufacture of components for the power generation industry. A company must be an approved supplier in order to supply components to the industry. In addition, a supplier in Ontario must be certified by the Technical Standards and Safety Authority in order to manufacture nuclear power plant components. General Donlee meets these standards and supplies components to the nuclear power industry.

Contracts in the power generation industry exhibit very similar characteristics and time frames as described above for the aerospace industry.

INDUSTRIAL PRODUCTS DIVISION General Gear has developed and maintains a reputation as one of Canada's leading suppliers of high quality gears, gearboxes and precision-machined components and assemblies for a wide and diverse range of industries and applications. The industrial products division also offers engineering expertise to reverse-engineer sample gears or complete gearboxes and assemblies plus a complete overhaul service for industrial gearboxes and single and twinscrew extruder gearboxes.

The division's expertise and sophisticated equipment allows it to manufacture components in all industrial categories from worm milling and grinding to gun drilling or bevel cutting for a wide array of industries and applications.



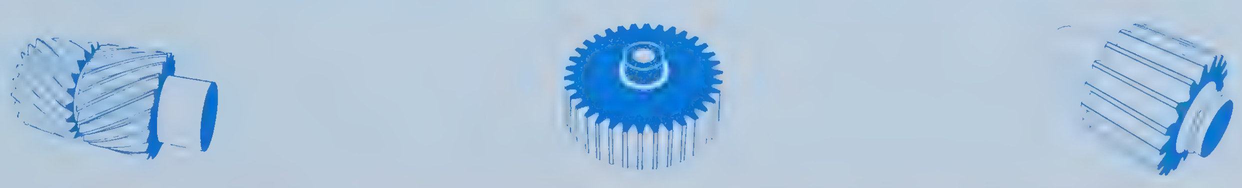
The industrial products industry is a very large and diverse segment of the market for precision-machined components and consists of both small and large customers, including OEMs, all with their own quality and product requirements. Many of the components supplied to this market are complex and difficult to manufacture, as such components are designed to operate in a variety of sophisticated industrial equipment. The industrial products market includes the chemicals and liquids processing, construction, farming, forestry, injection molding, metal fabrication, mining, primary manufacturing and transportation industries. These industries manufacture equipment, products and machinery and are supplied with gears, gearboxes and precision-machined components by suppliers.

A number of companies in the industrial products segment of the market may possess internal capabilities for manufacturing the machined components necessary for their products. However, many of these companies are finding that it is becoming increasingly difficult and uneconomical to maintain the level of internal competence necessary to manufacture precision-machined components.

OUR EXTENSIVE EXPERIENCE PERMITS US TO RESPOND QUICKLY TO OUR CUSTOMERS' REQUIREMENTS

More sophisticated components require highly skilled technicians and specialized equipment that is both expensive and difficult to maintain. In addition, it is quite possible that companies in the industrial products segment have found that their internal machining departments have difficulty competing with outsourced specialized precision-machining companies from both a cost and quality perspective.

Contracts in the industrial products industry are awarded through a bidding process and generally consist of fixed-price contracts issued to cover short lead-time delivery requirements. Lead-times associated with these products generally range from one to twelve weeks.



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(for the 8 months ended December 31, 2002)

GENERAL

General Donlee Income Fund (the "Fund") is a trust established under the laws of Ontario. The Fund's income is derived from its wholly-owned subsidiary General Donlee Limited ("General Donlee" or the "Company"). The Company is a leading diversified manufacturer of precision-machined products for the military, commercial and general aerospace industries and is also a specialist in the manufacture of precision-machined products for the industrial products and power generation industries.

Distributions to Unitholders of the Fund, currently made monthly, are entirely dependent on the cash flow of General Donlee, which in turn is used to pay interest on $82.95 million of 15.82% unsecured, subordinated promissory notes, and dividends to the Fund.

On May 3, 2002, in conjunction with the public offering, the Fund acquired all of the outstanding shares of the Company and therefore, the consolidated financial statements as at and for the period ended December 31, 2002 reflect the results of operations for a period of approximately eight months and no comparative figures are presented.

Management's Discussion & Analysis of the consolidated financial statements provides an overview of the results of operations for the period from May 3, 2002 to December 31, 2002.

RESULTS OF OPERATIONS

The consolidated statements include the operations of the aerospace and power generation division and the industrial products division. At present, the aerospace and power generation division has somewhat more impact on the consolidated financial results of the Company.

Sales for the period May 3, 2002 to December 31, 2002 were $26.7 million, an increase of $0.7 million over the sales made by General Donlee for the same period last year. Sales of precision-cylindrical products in the Company's aerospace and power generation division were $18.6 million, an increase of $0.6 million from last year. This increase of $0.6 million reflects:

a) an increase in military of $2.0 million,
b) an increase in power generation of $0.6 million,
c) a decline in industrial products of $0.5 million and
d) a decline in commercial and general aviation of $1.5 million.

Sales of gears, splines and assemblies in the Company's industrial products division were $8.1 million, up $0.1 million from the comparable period in 2001.

Sales order backlog at the end of December 2002 amounted to $49.1 million, which compares to the December 31, 2001 backlog of the predecessor company of $52.1 million. The aerospace and power generation division's contracts account for approximately 94% of the current backlog and the industrial products division accounts for the balance, reflecting the shorter cycle nature of its operations. This concentration is normal. Approximately $27.4 million of the current backlog is scheduled to be shipped during the year 2003.

Gross profit for the period May 3, 2002 to December 31, 2002 was $9.9 million, or 37.1% of sales. This lower gross profit level is the result of product mix and under utilization of the industrial products facility.

Selling, general and administrative expenses for the period May 3, 2002 to December 31, 2002 were $2.4 million or 8.8% of sales. Included in selling, general and administrative expenses are Fund costs for the period ended December 31, 2002 of $0.5 million. The Fund costs include one-time startup costs as well as costs relating to the ongoing operation of the Fund. Management remains focused on reducing selling, general and administrative costs wherever possible.

Interest of $0.4 million was incurred on the $10 million fully drawn non-amortizing term loan for the period May 3, 2002 to December 31, 2002.

Amortization of other assets for the period May 3, 2002 to December 31, 2002 was $3.4 million. Amortization of property, plant and equipment for the period May 3, 2002 to December 31, 2002 was $1.3 million and is included in cost of sales. Total amortization charges for the period May 3, 2002 to December 31, 2002 were $4.7 million.

The Company recorded a recovery of future income taxes of $0.3 million for the period. The recovery resulted from the recognition of temporary differences between financial reporting and tax bases of assets and liabilities, as well as for the benefit of losses available to be carried forward to future years for tax purposes. Income earned by the Fund that is distributed annually to unitholders is not subject to taxation in the Fund but it is taxed at the individual unitholder level.

Net earnings of the Fund for the period May 3, 2002 to December 31, 2002 were $4.1 million or $0.461 per unit.

QUARTERLY FINANCIAL INFORMATION

($ thousands, except per Trust Unit amount)

	2002		
	Fourth Quarter	Third Quarter	Second Quarter
Earnings Information			
Revenue	$ 10,672	$ 8,918	$ 7,141
Net earnings	2,105	1,036	986
Earnings per Trust Unit:			
Basic and diluted	0.235	0.1160	0.110

CASH FLOW AND LIQUIDITY

Cash flow generated by General Donlee is required to fund maintenance capital expenditures, distributions to Unitholders and third party bank interest, among other things. In May 2002, the Fund completed an IPO and sold 8,947,000 units to the public for gross proceeds of $89.47 million after taking into account the over-allotment option, which was exercised subsequently. These funds, net of applicable underwriting and other expenses of the offering, together with the $10 million non-amortizing term loan provided under the new credit facility, were used to purchase the securities of General Donlee.

During the period May 3, 2002 to December 31, 2002, cash provided from operating activities was $6.9 million. This was comprised of cash flows from operations of $8.7 million, partially offset by $1.8 million used to fund non-cash working capital items. The non-cash working capital items reflected an increase in accounts receivable, reductions in accounts payable and income taxes, offset by reductions in inventories and prepaid expenses.

Additions to property, plant and equipment were $0.2 million for the period May 3, 2002 to December 31, 2002. The additions consisted primarily of the completion of the building addition, started prior to the Fund's acquisition of the Company. Significant spending on capital expenditures is not anticipated over the next few quarters, as unused capacity and, if necessary, overtime are expected to be able to provide for any increased production volumes.

Cash distributions paid to Unitholders for the period May 3, 2002 to December 31, 2002 totaled $7.5 million, or $0.842 per unit.

As at December 31, 2002 the Fund had a fully drawn $10 million non-amortizing term facility, however it had not utilized its available $7 million operating credit facility or its $2 million capital additions facility. The $1 million cash reserve was intact at December 31, 2002. Over the next few months, General Donlee expects to draw down all or substantially all of its $1 million cash reserve to fund an anticipated shortfall in cash flow to enable steady distributions and satisfy bank covenants.

The Company has entered into forward exchange contracts, that approximate the current spot rate, to manage exposure to currency rate fluctuations. As at December 31, 2002, the Company has foreign currency forward exchange contracts outstanding to sell U.S. $5.5 million at an average exchange rate of Cdn. $1.5658 per U.S. dollar, maturing from January 2003 to November 2003.

Working capital at December 31, 2002 of $11.1 million reflects a working capital ratio of 4.8:1.0. The debt to equity ratio remained strong at 0.13:1.00 at year end.

DISTRIBUTIONS

For the period May 3, 2002 to December 31, 2002, cash available for distribution was $8.2 million, or $0.924 per unit.

($ thousands)	May 3 to Dec. 31, 2002
EBITDA(1)	$8,833
Less interest and bank charges(2)	(354)
Less capital additions	(210)
Cash available for distribution(3)	$8,269

Total cash distributions paid for the period May 3, 2002 to December 31, 2002 totaled $7.5 million or $0.842 per unit. The cash distribution in regard to December 2002 of $1.1 million or $0.12083 per unit is not included in the $7.5 million or $0.842 per unit. This distribution was paid on January 31, 2003.

Details of the distributions relating to 2002 are:

Period	Record Date	Payment Date	$Per Unit	Total ($000)
May	June 25	June 30	0.1153	1,032
June	July 26	July 31	0.1192	1,066
July	Aug. 27	Aug. 30	0.1232	1,102
Aug.	Sept. 25	Sept. 30	0.1232	1,102
Sept.	Oct. 28	Oct. 31	0.1192	1,066
Oct.	Nov. 26	Nov. 29	0.12083	1,081
Nov.	Dec. 24	Dec. 31	0.12083	1,081
Dec.	Jan. 28	Jan. 31	0.12083	1,081

In the distributions for May through September, the per unit amount was based on the number of days in the period and on a target distribution of $1.45 per unit per annum or 14.5% of the original issue price of $10.00 per unit. Effective with the distribution for October 2002, the amount to be distributed has been determined as one-twelfth of the target annual distribution amount ($1.45 per unit) irrespective of the number of days in the period.

No change has been made to the determination of record and payment dates. The Fund still anticipates that the monthly cash distributions will be paid on or about the last day of the month, for the prior month, with a record date typically three business days earlier.

BUSINESS RISKS

REVENUE - The Company is dependent on the military, commercial and general aerospace industries. Although the military business remains solid, recent economic conditions within the commercial airline industry have meant that uncertainty has entered the market for the industry's manufacturers and suppliers. This downturn in the commercial airline industry has particularly affected the wide-body aircraft market, whereas General Donlee manufactures most of its aerospace components for the business and regional jet and narrow-body commercial aircraft and military markets.

The Company is also dependent on industrial manufacturers. A further slowdown could adversely affect the Company's sales to industrial producers. Further deterioration in the condition of these customers could affect the Company's sales volumes.

KEY CUSTOMERS - Although the Company has a reasonably diversified customer base and strong, stable relationships, the loss of a large customer could have an adverse effect on the Company. For 2002, 80% of the Company's sales were to 10 of its customers. The two largest customers, one from each of the aerospace and power generation division and the industrial products division, accounted for 25% and 17% of total sales respectively. Termination or a material reduction by one or both of such customers of their relationship with the Company could have a material adverse effect upon its results.

PRODUCT LIABILITY - The Company's businesses expose it to potential product liability risks that are inherent in the development, manufacture and sale of aerospace, industrial and power generation products. Although the Company maintains what management believes to be suitable product liability insurance, there can be no assurance that it will be able to maintain such insurance on acceptable terms or that any such insurance will provide adequate protection against potential liabilities. Insufficient insurance coverage in the event of a significant claim could have a material adverse effect on the Company's business, financial condition and results of operations.

FOREIGN EXCHANGE - For 2002, approximately 58% of General Donlee's revenue was in U.S. dollars. A one percent increase in the value of the Canadian dollar resulting in a weaker U.S. dollar against the Canadian dollar would impact gross profit negatively by approximately $0.2 million if there were no hedging. General Donlee seeks to manage its U.S. dollar exchange exposure by entering into forward exchange contracts and at year end has agreed to sell U.S. $5.5 million at an average exchange rate of Cdn. $1.5658 per U.S. dollar, maturing from January to November 2003.

RELIANCE ON KEY PERSONNEL AND SKILLED WORKFORCE - General Donlee's operations are dependent on the abilities, experience and efforts of its senior management and highly skilled non-union workforce. While General Donlee has entered into employment agreements with certain members of its senior management, the business prospects of the Company could be adversely affected if any of these people are unable or unwilling to continue their employment with General Donlee.

OUTLOOK

In general, economic conditions in the markets served by General Donlee remain somewhat unsettled. Management anticipates that the aerospace and power generation segment will continue to experience reasonable production levels in the near to medium term. Our industrial products division is still being impacted by weak conditions in the capital goods markets and, in the near term, management expects to continue to face uncertain conditions. On balance, it is expected that the performance of our aerospace and power generation division will continue in line with the current, somewhat softer, trend and that the industrial products business levels will reflect at least some marginal recovery in the near term. Over the next few months, General Donlee expects to draw down all or substantially all of its $1 million cash reserve to fund an anticipated shortfall in cash flow to enable steady distributions and satisfy bank covenants.

Certain forward-looking statements included herein are based on information currently available to management, but are subject to risks and uncertainties that could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not necessarily limited to, risks associated with: dependence on commercial aircraft sales and defence procurement, power generation sales and sales to the industrial sector, dependence on key customers, dependence on third party suppliers and manufacturers, competition, product liability and warranty claims, environmental and other governmental regulation, quality certification requirements, foreign exchange rates, leverage and restrictive debt covenants, regulatory requirements, reliance on key personnel and our skilled workforce, changes in accounting policies, the ability to obtain orders and general business conditions in the economy.

Notes:

[(1)]EBITDA is not a recognized measure under Canadian generally accepted accounting principles (GAAP). Management believes that, in addition to net earnings, EBITDA is a useful supplemental measure as it provides investors with an indication of cash available for distribution prior to debt service, capital expenditures and income taxes. Investors should be cautioned, however that EBITDA should not be construed as an alternative to net earnings determined in accordance with GAAP as an indicator of the Fund's performance or to cash flows from operating, investing and financing activities as a measure of liquidity and cash flows. The Fund's method of calculating EBITDA may differ from that of other companies and accordingly, EBITDA may not be comparable to measures used by other companies.

($ thousands)	May 3 to Dec. 31, 2002
EBITDA Calculation:	
Net earnings per GAAP	$4,127
Add back interest and bank charges[(2)]	354
Add back amortization expense	4,674
Less net income tax recovery	(322)
EBITDA	$8,833

[(2)]Bank charges period to-date includes a 1-time new credit facility fee of $50,000.

[(3)]Cash available for distribution is not intended to be representative of cash flow or results of operations determined in accordance with GAAP and does not have a standardized meaning prescribed by GAAP. Cash available for distribution may differ from similar measures used by other companies.

housands)	May 3 to Dec. 31, 2002
EBITDA[(1)]	$8,833
Less interest and bank charges[(2)]	(354)
Less capital additions	(210)
Cash available for distribution[(3)]	$8,269
Cash available for distribution per unit	$0.924
its outstanding	

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of the General Donlee Income Fund (the "Fund") and all the information in this annual report are the responsibility of the management of the Fund's wholly-owned operating subsidiary General Donlee Limited ("General Donlee"). The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and where appropriate include management's best estimates and judgments. Management has reviewed the financial information presented throughout this report and has ensured it is consistent with the consolidated financial statements.

Management maintains a system of internal control designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, and that financial information is timely and reliable.

The Trustees of the Fund are responsible for ensuring that management fulfills its responsibilities for financial reporting and are ultimately responsible for reviewing and approving the consolidated financial statements. The Trustees carry out this responsibility principally through the Audit Committee of General Donlee.

The Board of Directors of General Donlee appoints the Audit Committee, and all of its members are independent directors. The Audit Committee meets periodically with management and the Fund's auditors to review internal controls, audit results and accounting principles. Acting on the recommendation of the Audit Committee of the Board, the consolidated financial statements are forwarded to the Trustees of the Fund for their approval.

Ernst & Young LLP, an independent firm of Chartered Accountants, was retained by the Fund to complete the audit of the consolidated financial statements and to provide an independent professional opinion. Ernst & Young have full and free access to the Audit Committee.

THOMAS FAUCETTE
President and Chief Executive Officer
General Donlee Limited
April 20, 2003

GERALD THAIN
Chief Financial Officer
General Donlee Limited
April 20, 2003

AUDITORS' REPORT

To the Unitholders of:
GENERAL DONLEE INCOME FUND

We have audited the consolidated balance sheet of General Donlee Income Fund as at December 31, 2002 and the consolidated statements of earnings and deficit and cash flows for the period from May 3, 2002 to December 31, 2002. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2002 and the results of its operations and its cash flows for the period from May 3, 2002 to December 31, 2002 in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP
CHARTERED ACCOUNTANTS

Toronto, Canada
February 7, 2003
(except for note 11(i) which is as of February 28, 2003)

CONSOLIDATED BALANCE SHEET

As at De[illegible] 200[illegible]

See accompanying notes

	Notes	
ASSETS		
Current:		
Cash and cash equivalents		$ 570,195
Accounts receivable		7,673,699
Inventory	(4)	5,586,265
Prepaid expenses		162,105
		$13,992,264
Property, plant and equipment	(5)	10,851,088
Goodwill	(2)	59,656,581
Other assets	(6)	6,851,381
Restricted cash	(9)	1,000,000
Employee future benefits	(7)	244,200
Future income taxes	(8)	720,266
		$93,315,780
LIABILITIES		
Current:		
Accounts payable and accrued liabilities		$ 2,739,136
Income taxes payable	(8)	7,536
Deferred revenue		160,388
		2,907,060
Future income taxes	(8)	791,712
Long-term debt	(9)	10,000,000
		13,698,772
UNITHOLDERS' EQUITY		
Trust units	(10)	83,021,471
Deficit		(3,404,463)
		79,617,008
		$93,315,780

On behalf of the Trustees:

DOUGLAS BUCHANAN
Trustee

BILL SOLSKI
Trustee

CONSOLIDATED STATEMENT OF EARNINGS AND DEFICIT

For the period May 3 to December 31, 2002 (note 1)

Sales	$ 26,730,665
Cost of sales	16,823,583
Gross profit	**9,907,082**
Expenses	
Selling, general and administrative	2,362,259
Interest and bank charges	353,972
Amortization of other assets	3,386,119
	6,102,350
Earnings before income taxes	3,804,732
Income taxes (recovery)	
Current	2,714
Future	(324,746)
	(322,032)
Net earnings for the period	4,126,764
Equity at beginning of period	-
Distributions paid to unitholders	(7,531,227)
Deficit at end of period	**$(3,404,463)**
NET EARNINGS PER TRUST UNIT	
Basic and diluted (8,947,000 units)	$ 0.461
DISTRIBUTIONS PER TRUST UNIT	
Basic and diluted (8,947,000 units)	$ 0.842

CONSOLIDATED STATEMENT OF CASH FLOWS

ie period May 3 to December 31, 2002 (note 1)

CASH FLOWS FROM OPERATING ACTIVITIES	
Net earnings for the period	$ 4,126,764
Add (deduct) items not affecting cash:	
Amortization of property, plant and equipment	1,288,351
Amortization of other assets	3,386,119
Future income tax recovery	(324,746)
Employee future benefits	185,400
	8,661,888
Changes in non-cash working capital items related to operations	
Accounts receivable	(1,757,130)
Inventory	2,897,331
Prepaid expenses	341,232
Accounts payable and accrued liabilities	(2,899,554)
Income taxes payable	(329,235)
Deferred revenue	(1,907)
Cash provided by operating activities	**6,912,625**
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property, plant and equipment	(210,110)
Acquisition of General Donlee Limited, net of cash and cash equivalents acquired of $1,483,971	(81,622,564)
Cash used in investing activities	**(81,832,674)**
CASH FLOWS FROM FINANCING ACTIVITIES	
Initial public offering of fund units, net of expenses	83,021,471
Distributions paid	(7,531,227)
Cash provided by financing activities	**75,490,244**
Increase in cash and cash equivalents during the period	570,195
Cash and cash equivalents at beginning of period	-
Cash and cash equivalents at end of period	**$ 570,195**
SUPPLEMENTAL DISCLOSURE	
Cash paid for interest	353,972
Cash paid for income taxes	408,966

1.ORGANIZATION AND NATURE OF BUSINESS

General Donlee Income Fund (the "Fund") is a trust established under the laws of the Province of Ontario by Declaration of Trust made as of March 14, 2002. The Fund was created to invest in General Donlee Limited (the "Company"), a diversified manufacturer of precision-machined cylindrical shafts and gearing products. Prior to May 3, 2002, when the Fund completed its initial public offering, it did not hold any material assets. Accordingly, these consolidated financial statements are prepared on the basis that it commenced operations on May 3, 2002.

2.ISSUANCE OF FUND UNITS AND ACQUISITION

On April 24, 2002, the Fund filed a final prospectus for the sale of 7,780,000 units at the price of $10.00 per unit. An over-allotment option was exercised by the Fund's underwriters effective May 23, 2002 for an additional 1,167,000 units at the price of $10.00 per unit. The aggregate proceeds were $89,470,000. The costs of issuance were $6,448,529, resulting in unitholders' equity of $83,021,471.

On May 3, 2002, in conjunction with the public offering, the Fund acquired all of the outstanding shares of the Company. Concurrent with the acquisition, the Company reorganized, which included the statutory amalgamation of certain subsidiaries of the Fund. The amalgamated company continued as General Donlee Limited.

The acquisition has been accounted for by the purchase method with the results of operations included in earnings from the date of acquisition. The purchase price has been allocated as follows:

NET ASSETS ACQUIRED:	
Cash and cash equivalents	$ 1,483,971
Accounts receivable	5,916,569
Inventory	8,483,596
Prepaid expenses	503,337
Property, plant and equipment	11,929,329
Goodwill	59,656,581
Intangible asset	10,000,000
Deferred finance charges	237,500
Restricted cash	1,000,000
Employee future benefits	429,600
Accounts payable and accrued liabilities	(5,638,690)
Income taxes payable	(336,771)
Deferred revenue	(162,295)
Future income taxes	(396,192)
Long-term debt	(10,000,000)
	$ 83,106,535
Cash consideration:	**$ 83,106,535**

3. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the Fund and the Company, its wholly-owned subsidiary. All material intercompany balances and transactions have been eliminated.

These financial statements reflect the results of operations for the period from May 3, 2002 to December 31, 2002. As the Fund commenced operations on May 3, 2002, no comparative information is provided.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in the bank and highly liquid investments with remaining maturities of three months or less at the time of purchase.

Inventory

Inventory is valued at the lower of cost and market value. Cost is determined on an average cost basis, and market value is determined as net realizable value for work-in-process and finished goods and replacement cost for raw materials.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost less accumulated amortization. Amortization is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	10% per year
Production equipment	10% per year
Office furniture and equipment	20% per year
Computer equipment	33% per year

Employee Future Benefits

The Company maintains defined benefits pension plans for its salaried and hourly employees. The Company accrues its obligations under these employee benefits plans and the related costs, net of plan assets. The Company has adopted the following policies:

The cost of pension and other retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs.

For the purposes of calculating the expected return on plan assets, those assets are valued at fair value.

Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment.

The excess of the net actuarial gain (loss) over 10% of the greater of the accrued benefit obligation and the fair value of the plan assets is amortized over the average remaining service period of active employees.

Other Assets

Intangible asset acquired represents the value of contracted sales agreements and is amortized over its expected useful life at a rate of 50% in the first year and 25% in each of the following two years.

Financing costs incurred with respect to obtaining financing are deferred and amortized on a straight-line basis over the term of the related credit facility.

Goodwill

The Fund applies the recommendations of the Canadian Institute of Chartered Accountants on accounting for goodwill and other intangible assets. In accordance with the standard, goodwill is not amortized and is tested annually for impairment in value. The Company performs annual impairment testing as of December 31. No impairment loss was recorded in the current period.

In addition to the annual impairment test, the Company will perform an impairment test if an event occurs or circumstances change that would reduce the fair value of goodwill below its carrying amount.

Income Taxes

The Fund is a mutual fund trust for income tax purposes and therefore is not subject to tax on income distributed to unitholders. Income of the Fund distributed to unitholders is the responsibility of individual unitholders.

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on temporary differences between financial reporting and tax bases of assets and liabilities, as well as for the benefit of losses available to be carried forward to future years for tax purposes. Future income tax assets and liabilities are measured using substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Future income tax assets are recorded in the financial statements if realization is considered more likely than not.

Revenue Recognition

Revenue arising from product sales is recognized when title to the products has passed and there has been a transfer of significant risks and rewards of ownership.

Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at rates of exchange at each transaction date. Revenue and expenses are translated at the average rate of exchange for the period. Gains or losses on translation are included in earnings.

Foreign Currency Hedging Transactions

The Company enters into foreign exchange contracts to minimize its exposure to fluctuations in foreign currency exchange rates. These derivative contracts do not qualify for hedge accounting therefore the contracts are recorded at fair value and are marked to market at the end of each period.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the year. Actual results could differ from those estimates.

Significant areas requiring the use of management estimates relate to the determination of the valuation of work in process, the useful lives of property, plant and equipment for amortization purposes, amounts recorded as accrued

3.SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

liabilities, the values of pension obligations and assets, the amount of pension costs charged to earnings, and the fair values of acquired assets and liabilities on the acquisition date.

Distributions to Unitholders

The amount of cash to be distributed to unitholders is based on payments made by the Company to the Fund in respect of interest on notes payable, dividends and other distributions, less administrative expenses and other obligations of the Fund, amounts paid by the Fund in connection with any cash redemption of units, any other interest expense incurred by the Fund and any amount that the Trustees of the Fund consider necessary to provide for payment of costs that have been or are expected to be incurred by the Fund.

Monthly distributions are paid to unitholders on the last business day of the following month. Accordingly, these financial statements do not reflect distributions to be paid with respect to the last month of the year, as these distributions are to be declared and paid subsequent to the year end.

Earnings Per Trust Unit

The earnings per trust unit are based on the weighted average number of trust units outstanding during the period.

4.INVENTORY

Raw materials	$ 36,642
Work-in-process and finished goods	5,549,623
	$ 5,586,265

5.PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated Amortization	Net
Land	$ 1,740,143	$ -	$ 1,740,143
Buildings	1,179,466	237,999	941,467
Production equipment	9,164,866	1,027,425	8,137,441
Office furniture & equipment	32,313	12,646	19,667
Computer equipment	22,651	10,281	12,370
	$ 12,139,439	$ 1,288,351	**$10,851,088**

6.OTHER ASSETS

	Cost	Accumulated Amortization	Net
Intangible asset	$ 10,000,000	$ 3,333,333	$ 6,666,667
Deferred finance charges	237,500	52,786	184,714
	$ 10,237,500	$ 3,386,119	**$ 6,851,381**

7. EMPLOYEE FUTURE BENEFITS

Information about the Company's defined benefits pension plans is as follows:

PLAN ASSETS	
Market value at beginning of period	$ 5,141,800
Actual return on plan assets	(275,400)
Employer contributions	16,100
Benefits paid	(79,100)
Market value at end of period	**$ 4,803,400**
ACCRUED BENEFIT OBLIGATION	
Accrued benefit obligation at beginning of period	$ 5,744,800
Current service cost	152,700
Interest cost	266,000
Benefits paid	(79,100)
Accrued benefit obligation at end of period	**$ 6,084,400**
ACCRUED BENEFIT ASSET	
Plan deficit	$ (1,281,000)
Unamortized transition amount	447,400
Unamortized net actuarial gains	1,077,800
Accrued benefit asset at end of period	**$ 244,200**
BENEFIT PLAN EXPENSE	
Current service cost	$ 152,700
Interest cost	266,000
Expected return on plan assets	(241,100)
Amortization of transitional asset	23,900
Net benefit plan expense	**$ 201,500**

The assumptions used in accounting for the defined benefits pension plans at December 31 were:

Discount rate	7%
Expected long-term rate of return on plan assets	7%
Rate of compensation increase	3 - 5%

8.INCOME TAXES

(i) Income Tax Expense

The following table reconciles income taxes calculated at combined Canadian federal/provincial tax rates with the income tax expense in the consolidated financial statements:

Earnings before income taxes	$ 3,804,732
Less:	
Earnings of Fund subject to tax in the hands of Unitholders	4,805,197
Loss of subsidiary company	(1,000,465)
Statutory rate	38.62%
Expected income tax recovery at statutory rate	(386,380)
Adjustment for the tax effect of:	
Manufacturing and processing credit	54,667
Non-deductible expenses	2,521
Other	7,160
Income tax recovery	**$ (322,032)**

(ii) Future Income Taxes

The tax effects of temporary differences that give rise to the future income tax assets and liabilities are summarized below:

Future income tax assets	
Acquisition and finance costs deductible in future periods	$ 627,047
Unutilized tax losses	93,219
	720,266
Future income tax liabilities	
Property, plant and equipment	710,833
Employee future benefits	80,879
	$ 791,712
Net future income tax liabilities	**$ (71,446)**

At December 31, 2002, the Fund has approximately $5.4 million in unit issuance costs available for deduction in future tax periods.

9.LONG-TERM DEBT

The Company has available a $19,075,000 credit facility, of which $10 million is a non-amortizing term facility maturing April 30, 2005, $7 million is a revolving credit facility for operating purposes maturing April 30, 2003, $2 million is a non-revolving facility for the acquisition of machinery and equipment maturing April 30, 2005, and $75,000 is a corporate credit card facility. At December 31, 2002, the Company had drawn $10 million under the term facility and $nil under the remaining facilities. Management anticipates favourable results with respect to the renegotiation of the $7 million revolving facility which matures April 30, 2003. The facilities bear interest at prime plus ¼%, with interest charges payable monthly. The credit facility is supported by a guarantee by the Fund, and is collateralized by security interests over substantially all of the assets of the Company and the Fund. Under the terms of the credit facility, the Company must maintain certain financial covenants and financial ratios, and is required to maintain a non-replenishable cash reserve of $1 million. The cash reserve is available if required to meet certain of the financial ratios, and as such, is treated as restricted cash in the consolidated financial statements.

10.TRUST UNITS

An unlimited number of units may be issued by the Fund pursuant to the Fund's declaration of trust. Each unit represents an equal, undivided beneficial interest in the Fund, in any distribution from the Fund, and in any net assets of the Fund in the event of the termination or winding-up of the Fund. Each unit confers the right to one vote at any meeting of unitholders. Units are freely transferable and have no pre-emptive rights.

Units can be redeemed at any time at the option of the unitholder at an amount equal to the lesser of: (a) 90% of the weighted average price per unit on the Toronto Stock Exchange during the ten trading day period commencing immediately following the date on which the units were surrendered for redemption and (b) the closing market price at the date of redemption. The monthly redemption shall not exceed $50,000 and if needed, the excess will be paid by way of a distribution of property of the Fund.

The following units were issued during the period:

	Units	Amounts
Unit issue proceeds	8,947,000	$ 89,470,000
Less: issuance costs	-	(6,448,529)
	8,947,000	**$83,021,471**

11.CONTINGENCIES

(i) On February 28, 2003, the Company received written notice of a potential claim against the Company, among others, seeking damages of $528,000 plus interest and costs. In February 1999, a predecessor corporation, which subsequently amalgamated with the Company, purchased the shares of five shareholders as a result of individual redemption requests. In December 2000, the Company, among others, was made a respondent in an application relating to the purchase price paid for 3,190 of the 6,140 purchased shares. The applicants alleged that the price paid for such shares was not fair value. The Company settled the application in November 2001 by payment to the applicants of $180,000 in order to avoid ongoing litigation. The recent potential claim relates to 1,776 of the remaining shares not subject to the settlement. These applicants also allege that the purchase price paid for such shares was not fair value. The purchase price originally paid by the Company's predecessor as a result of the redemption requests was determined in accordance with a valuation performed by a qualified and independent valuation firm. Accordingly management believes that the potential claim is without merit and has made no provision in the accounts or in these consolidated financial statements with respect to this matter.

11.CONTINGENCIES (Cont'd)

(ii) During the ordinary course of business activities, the Company may be contingently liable for litigation and a party to claims. Management believes that adequate provisions have been recorded in the accounts where required. Although it is not possible to estimate the extent of potential costs and losses, if any, management believes that the ultimate resolution of such contingencies will not have a material adverse effect on the consolidated financial position of the Company.

12.FINANCIAL INSTRUMENTS

Fair Value

The carrying values of cash and cash equivalents, restricted cash, accounts receivable and accounts payable and accrued liabilities approximate fair values due to the relatively short-term maturities of these instruments. The fair value of the Company's long-term debt approximates its fair value, as it bears interest at a variable rate.

Concentration of Credit Risk and Economic Dependence

At December 31, 2002, two customers represented 44% of the year-end accounts receivable balance and 42% of the Company's sales during the period.

Currency Risk

The Company is also exposed to foreign exchange risk as a portion of its net revenues is earned in U.S. dollars, and it has assets and liabilities that will be settled in U.S. dollars. Foreign exchange risk arises due to fluctuations in foreign currency rates, which could affect the Company's financial results. The Company has entered into forward exchange contracts to manage exposure to currency rate fluctuations. As at December 31, 2002, the Company has foreign currency forward exchange contracts outstanding to sell $U.S. 5.5 million and buy Canadian dollars at an average exchange rate of Cdn. $1.5658 per U.S. dollar. These contracts mature from January 2003 to November 2003. At December 31, 2002, the fair value of the contracts was approximately $65,000 in favour of counterparties.

At December 31, 2002, approximately 62% of cash and cash equivalents, 34% of accounts receivable, and 7% of accounts payable and accrued liabilities are denominated in U.S. dollars. Total foreign exchange gain included in the statement of earnings for the period ended December 31, 2002 was $32,283.

13. SEGMENTED INFORMATION

INDUSTRY SEGMENTS

The Company operates in two industry segments. The aerospace division manufactures precision-cylindrical components used mainly by customers in the military and commercial aerospace industries, as well as power generation and the industrial products division manufactures gears, splines and assemblies for use by other manufacturers. The accounting policies of the segments are the same as those described in Note 3. Intersegment sales are made at fair market values related to the markets served.

Sales	
Aerospace and power generation products	
Sales to customers	$ 18,658,178
Intersegment sales	57,802
Industrial products	
Sales to customers	8,072,487
Intersegment sales	288,593
Elimination of intersegment sales	(346,395)
	$26,730,665
Interest and Bank Charges	
Aerospace and power generation products	$ 139,865
Industrial products	164,107
Fund	50,000
	$ 353,972
Income Taxes (Recovery) Expense	
Aerospace and power generation products	$ 432,022
Industrial products	(754,054)
	$ (322,032)
Net Earnings	
Aerospace and power generation products	$ 3,188,239
Industrial products	1,509,717
Fund expenses	(571,192)
	$ 4,126,764
Identifiable Assets	
Aerospace and power generation products	$ 65,870,992
Industrial products	27,361,328
Fund	83,460
	$93,315,780
Goodwill	
Aerospace and power generation products	$ 41,759,607
Industrial products	17,896,974
	$59,656,581

13.SEGMENTED INFORMATION (Cont'd)

Capital Expenditures	
Aerospace and power generation products	**$ 210,110**
Amortization	
Aerospace and power generation products	$ 3,494,321
Industrial products	1,180,149
	$ 4,674,470

The Company had two major customers whose sales each comprised 10% or more of total revenue. The aerospace and power generation products segment reported sales from one customer totalling 25% of total revenue, and the industrial products segment reported sales from one customer totalling 17% of total revenue.

GEOGRAPHIC SEGMENTS	
Sales	
Canada	$ 11,273,682
United States	13,266,403
Europe	2,190,580
	$26,730,665

All of the Company's assets are located in Canada.

UNITHOLDER INFORMATION

STOCK EXCHANGE LISTING

The Toronto Stock Exchange
Stock symbol: GDI.UN

TRANSFER AGENT

Computershare Trust Company of Canada
100 University Avenue
Toronto, Ontario
M5J 2Y1
T: 1 (800) 564 - 6253
E: caregistryinfo@computershare.com

ANNUAL MEETING

The Annual Meeting of Unitholders will be held on June 2, 2003 at 2:00 p.m.
TSX Conference Centre
The Exchange Tower
130 King Street West
Toronto, Ontario

SENIOR MANAGEMENT

Thomas Faucette
President and Chief Executive Officer,
General Donlee Limited

Peter Adams
General Manager,
General Gear Division

Gerald Thain
Chief Financial Officer,
General Donlee Limited

Wayne Bacik
Director of Sales - Military and Commercial Aerospace and Power Generation,
General Donlee Limited

Tom Dibben
Director of Sales - Industrial Products,
General Donlee Limited

Barbara Houghton
Controller,
General Donlee Limited

INVESTOR RELATIONS

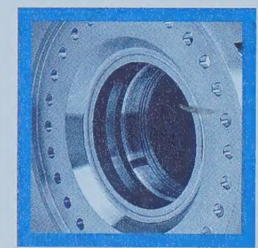
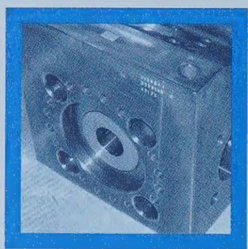
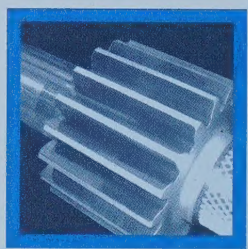
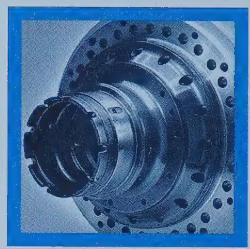
Ralph Barnes
Director, Investor Relations and Compliance
T: (416) 743-4417
E: rbarnes@generaldonlee.com

AUDITORS

Ernst & Young LLP
Toronto, Ontario

CORPORATE OFFICE

9 Fenmar Drive
Toronto, Ontario
M9L 1L5
T: (416) 743-4417
F: (416) 746-8998
E: info@generaldonlee.com
www.generaldonlee.com

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